

**BEFORE THE TENNESSEE STATE BOARD OF EQUALIZATION**

IN RE: Manchester Place Apartments LLC )  
Dist. 1, Map 85B, Group D, Control Map 85B, Parcel 26.01 ) Coffee County  
Commercial Property )  
Tax Year 2006 )

## INITIAL DECISION AND ORDER

### Statement of the Case

The subject property is presently valued as follows:

<u>LAND VALUE</u>	<u>IMPROVEMENT VALUE</u>	<u>TOTAL VALUE</u>	<u>ASSESSMENT</u>
\$223,200	\$3,851,800	\$4,075,000	\$1,630,000

An appeal has been filed on behalf of the property owner with the State Board of Equalization. The undersigned administrative judge conducted a hearing in this matter on November 8, 2006 in Manchester, Tennessee. In attendance at the hearing were registered agent M. Davis Gravely, Coffee County Property Assessor Jimmy White and Robert Spencer, CAE.

## FINDINGS OF FACT AND CONCLUSIONS OF LAW

Subject property consists of the 108 unit Manchester Place Apartments located at 1700 Summer Street in Manchester, Tennessee.

The parties stipulated that subject property should be valued by the income approach. The parties further stipulated that the income approach should assume an effective gross income of \$655,900 and a loaded capitalization rate of 9.5%. Thus, the only issue to be decided by the administrative judge concerns operating expenses.

The taxpayer contended that operating expenses (including reserves) equal to \$320,000 should be assumed. In support of this position, the taxpayer introduced operating statements showing that subject property has had actual operating expenses of \$303,882, \$312,838 and \$339,982 in 2003, 2004 and 2005 respectively. In addition, the taxpayer introduced statistical data compiled by the Institute of Real Estate Management ("IREM") concerning operating expenses reported by apartment owners in Nashville and the region generally. According to Mr. Gravely, the IREM data supports an expense allowance of approximately \$3,070 per unit or \$331,560.

The assessor contended that operating expenses equal to 40% of effective gross income or \$262,361 (2,429 per unit) should be assumed. In support of this position, Mr. Spencer testified that such an expense allowance is consistent with data he has analyzed in conjunction with a similar apartment complex located in Bedford County owned by the appellant.



Respectfully, the administrative judge finds that Mr. Gravely better substantiated his estimate of operating expenses. The administrative judge finds that Mr. Gravely's assumed expenses are consistent with both the operating history of subject property and market data compiled by IREM.

The administrative judge finds that Mr. Spencer's proposed expense allowance must be rejected for several reasons. First, whatever data he analyzed from Bedford County is not in the record. Consequently, the administrative judge has no idea what Mr. Spencer actually considered in forming his opinion. Second, Mr. Spencer's assumed expense ratio of 40% is a percentage of *effective gross income*. The administrative judge finds that the IREM data introduced by Mr. Gravely reflects a median expense ratio in Nashville equal to 40.7% of *potential gross income* and that figure does not include reserves. Third, Mr. Spencer testified that subject property experiences higher than "normal" expenses because of its unique heating system.

Based upon the foregoing, the administrative judge finds that subject property should be valued at \$3,600,000 after rounding.

#### ORDER

It is therefore ORDERED that the following value and assessment be adopted for tax year 2006:

<u>LAND VALUE</u>	<u>IMPROVEMENT VALUE</u>	<u>TOTAL VALUE</u>	<u>ASSESSMENT</u>
\$223,200	\$3,376,800	\$3,600,000	\$1,440,000

It is FURTHER ORDERED that any applicable hearing costs be assessed pursuant to Tenn. Code Ann. § 67-5-1501(d) and State Board of Equalization Rule 0600-1-.17.

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-301—325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:

1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tennessee Code Annotated § 67-5-1501(c) provides that an appeal **"must be filed within thirty (30) days from the date the initial decision is sent."** Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of the State Board and that the appeal **"identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order";** or
2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order.

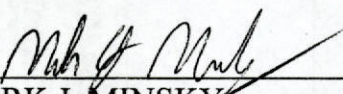


The petition for reconsideration must state the specific grounds upon which relief is requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review; or

3. A party may petition for a stay of effectiveness of this decision and order pursuant to Tenn. Code Ann. § 4-5-316 within seven (7) days of the entry of the order.

This order does not become final until an official certificate is issued by the Assessment Appeals Commission. Official certificates are normally issued seventy-five (75) days after the entry of the initial decision and order if no party has appealed.

ENTERED this 9th day of November, 2006.

  
\_\_\_\_\_  
MARK J. MINSKY  
ADMINISTRATIVE JUDGE  
TENNESSEE DEPARTMENT OF STATE  
ADMINISTRATIVE PROCEDURES DIVISION

c: Mr. M. Davis Gravely  
Jimmy White, Assessor of Property